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SCOTTSDALE CITY COUNCIL

Sam Kathryn Campana, Mayor
Councilwoman Cynthia Lukas
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Councilman Richard Thomas
Councilman George Zraket

**DOVE VALLEY ROAD
SEWER IMPROVEMENTS
COST-SHARING
AGREEMENT**

**Revised Report No. 9706
April 1999**



Most Honorable City
U.S. Conference of Mayors

OFFICE OF THE
CITY AUDITOR

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April 23, 1999

Honorable Sam Kathryn Campana, Mayor
Members of the Scottsdale City Council
Cave Creek Unified School District
Del Webb Terravita

Transmitted herewith is a revised audit of the Cost-Sharing Agreement dated October 19, 1993, between the City of Scottsdale, Cave Creek Unified School District, and Del Webb Terravita (Contract #930126). This revised audit is necessary to reflect the resolution of questioned costs identified in the final audit.

During the final audit, \$130,643 in construction costs were identified for resolution. The parties to the agreement have reached consensus regarding the costs. As a result, \$42,468 related to costs advanced by CCUSD will be allowed.

Revisions to interest earnings were also included to reflect interest earned through March 31, 1999.

Respectfully submitted,

A handwritten signature in cursive script, reading "Cheryl Lee Barcala".

Cheryl Lee Barcala, CPA, CIA, CFE, CGFM
City Auditor



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**Independent
Auditor's Report
On The
Construction Costs
Incurred For The
Completion Of The
Sewer Improvements
Cost-Sharing
Agreement Between
The City Of
Scottsdale, Del
Webb Terravita, And
Cave Creek Unified
School District**

We have completed our audit of the construction costs incurred for the completion of the sewer improvements outlined in the Cost-Sharing Agreement between the City of Scottsdale, Del Webb Terravita (Del Webb), and Cave Creek Unified School District (CCUSD) [Contract #930126 dated October 19, 1993]. The audit was required under Section 6 of the Cost-Sharing Agreement to verify the actual construction costs and finalize the contribution of funds for the project. Section 6 of the agreement calls for the audit to be conducted by an independent certified public accountant acceptable to all parties. The City Auditor's Office is established by Charter and reports directly to the City Council. As such, according to the United States General Accounting Office *Government Auditing Standards* (1994 Revision), The City Auditor's Office may be presumed to be independent of the City management function.

We conducted our audit in accordance with generally accepted government auditing standards and as required by Article III, Scottsdale Revised Code, Section §2-117 *et seq.*, with one exception. The last peer review of the City Auditor was completed April 5, 1991. Thus, we currently do not comply with the requirement for a peer review at least every four years.

The insert below summarizes the contributions for construction costs from each of the partners.

Reconciliation Of Contributions To Construction Costs	
City of Scottsdale Contribution to Trust	\$ 904,759.00
Del Webb Contribution to Trust	245,365.00
CCUSD Contribution to Trust	369,759.00
Total Contributed to Trust	<u>\$1,519,883.00</u>
Costs Advanced - CCUSD	\$ 42,468.00
Costs Paid Directly by Del Webb	560,747.85
Costs Paid Outside of Trust	<u>\$ 603,215.85</u>
Total Funds Contributed	<u>\$2,123,098.85</u>

The following insert shows the reconciliation of the funds contributed for construction, the excess funds which should be available for distribution back to the partners, and the reconciliation of available funds. The available trust fund balance does not reflect the entire amount of excess funds because of the disallowed costs (discussed in Attachment 1) which

either need to be repaid by CCUSD, or CCUSD's reimbursement needs to be reduced by the amount disallowed. Section 6 of the agreement also requires that all parties to the agreement share in the cost of the final audit. The City Auditor's Office recorded 65 hours of direct audit work for the completion of the project. The actual cost of the audit, at a rate of \$65 per hour, would be \$4,225.

Reconciliation Of Funds Available For Distribution	
Contributions	
Funds Contributed to Construction Costs	\$ 2,123,098.85
Reduction in CCUSD contribution for disallowed costs	(88,175.25)
Cost of Audit	4,225.00
Total Contributions	<u>\$ 2,039,148.60</u>
Allowable Construction Costs	
Paid from Trust (Attachment 4)	\$(1,021,258.99)
Paid by Del Webb (Attachment 5)	(560,747.85)
Cost of Audit	(4,225.00)
	<u>\$(1,586,231.84)</u>
Interest Earned	70,065.53
Net Cost After Interest	<u>\$(1,516,166.31)</u>
Excess Funds over Allowable Costs	<u>\$ 522,982.29</u>
Balance in Trust Account at 3/31/99	<u>\$ 522,982.29</u>
Over/Short	<u>\$ -0-</u>

***Distribution of
Remaining Funds***

Section 6 of the agreement outlines the methodology to reimburse excess funds or contribute additional funds should either phase exceed initial cost estimates. According to this section, if the actual costs of either Phase 1 Improvements or Phase 2 Improvements are less than the initial estimated costs, all three parties shall participate proportionately in the savings realized by either:

- reimbursement from the Phase 1 fund of any remaining funds, plus accrued interest, to the parties in the same proportion as funds were paid in by the parties; or
- reimbursement to the City and CCUSD of their proportionate shares by Del Webb for Phase 2.

We found the steps outlined in Section 6 did not contemplate that both phases would come in under budget, nor was the funding process structured in a manner which would allow this reimbursement method to work. Section 2 b. outlined the appropriate participation percentage, but the amounts actually **paid** into the trust account were proportionately different due to reductions for costs that were paid, or were to be paid, outside of the trust. Using the proportion **paid** to determine the reimbursement of remaining trust funds results in an allocation of costs in a proportion different than that established in the agreement.

In addition, the funding structure did not create a situation where there would be funds available from Phase 2 for reimbursement to the City and CCUSD. Del Webb, through the reduction in the contribution to the trust fund, was the only party to actually contribute to Phase 2. As a result, funds are not available for reimbursement to either the City or CCUSD for any savings attributed to Phase 2.

We also found that expenses which were attributed in the Cost-Sharing Agreement as a cost to Phase 2 were paid out of the trust fund without reimbursement from Del Webb. As a result, these costs would need to be reflected as a cost of Phase 2 with the corresponding charge to Del Webb for that amount. These costs include \$33,240 paid to Rick Engineering Company (REC) for engineering services, \$7,200 paid to CCUSD's Project Manager, Construction Program Management, Inc. (CPM), for plan separation work, and \$14,334.40 paid to REC for plan separation work. In addition, Del Webb would need to fund Phase 2's share of the final audit costs.

Because of these issues, we recommend that the methodology in Section 6 be replaced with an allocation of the combined costs for both phases by the agreed upon participation percentage. The accrued interest for the trust fund would then be credited to each party in proportion to the amount placed on deposit. Allocating interest on the percentage paid into the trust is more equitable than allocation on the participation percentage, because Del Webb retained the majority of funds earmarked for Phase 2 and, therefore, had the ability to earn interest on those funds.

The distribution of remaining trust funds would then be calculated by subtracting the net cost from the amount contributed. The amount distributed to the City would also need to be increased by \$4,225 to cover the cost of the audit. The results of this methodology are shown on the next page.

Distribution of remaining funds through
calculation of participation based on total costs, and allocation
of interest based on proportion of funds on deposit

	City	CCUSD	Del Webb	Total
Contributions				
Funds contributed to trust	\$ 904,759.00	\$ 369,759.00	\$ 245,365.00	\$ 1,519,883.00
Funds contributed outside trust	-	42,468.00	560,747.85	603,215.85
Disallowed costs –CCUSD	-	(88,175.25)	-	(88,175.25)
Net Contributions	904,759.00	324,051.75	806,112.85	2,034,923.60
Reimbursable Audit Cost	4,225.00	-	-	4,225.00
Total Net Contributions	<u>\$908,984.00</u>	<u>\$324,051.75</u>	<u>\$806,112.85</u>	<u>\$ 2,039,148.60</u>
Costs				
Allocation of costs based on initial participation, including cost of audit	\$ (536,146.36) (33.8%)	\$ (244,279.70) (15.4%)	\$ (805,805.77) (50.8%)	\$ (1,586,231.84)
Allocation of accrued interest Based on % paid into trust	42,049.22	19,158.50	8,857.81	70,065.53
Net cost after interest	<u>\$(494,097.14)</u>	<u>\$(225,121.20)</u>	<u>\$(796,947.96)</u>	<u>\$(1,516,166.31)</u>
Distribution of remaining funds including cost of audit, based on initial contribution	\$414,886.86	\$ 98,930.55	\$ 9,164.89	\$ 522,982.29
Balance in trust at 3/31/99				\$ (522,982.29)
Total Remaining after distribution				<u>-0-</u>

***Scope of Project Covered
by the Agreement***

The Cost-Sharing Agreement covered the construction of force mains and lift stations which were part of a project known as the Dove Valley Road Sewer Improvements. Completion of the improvements was to be accomplished in four phases. Two of these phases, Phases 1 and 2, were to be funded under the Cost-Sharing Agreement.

Phase 1 consisted of a 10-inch diameter gravity sewer and appurtenances along Dove Valley Road from 60th Street to 56th Street, the sewer lift station and appurtenances at 56th Street and Dove Valley, and a 10-inch diameter force main. Costs of construction related to this phase were to be paid from a trust fund established by all parties, and administered by CCUSD.

Phase 2 consisted of a 12-inch diameter gravity sewer and appurtenances including utility adjustments along the 68th Street alignment from Dove Valley Road to approximately 440 feet north of Ashler Hills Drive, the sewer lift station and appurtenances at the termination of the gravity sewer line, and a 10-inch force main from 68th Street to Scottsdale Road. Construction costs for this phase were to be paid by Del Webb and credited as part of the contribution required under the Cost-Sharing Agreement.

Phase 3, an 8-inch sewer and appurtenances along 56th Street to Dove Valley Road was to be constructed by CCUSD. Costs for this phase were to be paid by CCUSD and not considered a cost of the Cost-Sharing Agreement. Phase 4 covered approximately 900 feet of a 10-inch sewer along 60th Street north of Dove Valley. CCUSD and Del Webb were to enter into a separate agreement outlining obligations for this phase.

Establishment of the Trust Fund

At the inception of the Cost-Sharing Agreement, each party contributed funds which were used to establish a trust account. Contributions by the parties were decreased by construction costs which were to be paid directly by the parties. CCUSD, as the administrator of the trust, had the responsibility to process payment requests and manage the fund. The fund has earned interest of approximately 2 percent which has been credited to the available funds and included in the calculation for distribution. Between February 23, 1994, and July 29, 1994, a portion of the fund was invested in a time deposit receipt account which earned interest at a higher rate of 2.7 percent and 2.65 percent. All interest has been included in the reconciliation of available funds.

CCUSD had a special construction audit of the bond projects funded by a bond election. This audit was issued in November 1995, and covered the time period of July 1, 1992, through October 24, 1995. Because CCUSD's portion of the project was funded with bond funds, trust expenditures were included in the special audit. Several reportable conditions, included in the report on internal controls, impacted the trust account. Concerns relating to the internal control structure of the trust fund noted during our audit are addressed in Attachment 2.

Scope of Audit Work To complete the audit, we reviewed the Cost-Sharing Agreement and documentation regarding construction costs submitted by Del Webb. We also examined and made copies of documentation maintained by CCUSD. The project manager hired by CCUSD was not available to be interviewed.

Due to the lack of documentation available from CCUSD regarding expenditures from the trust, we were not able to verify scope of work for services such as project management and engineering services. As a result, we could not confirm whether any of those items were to be billed on a time and materials basis. As such, these invoices were taken at the face value because we could not determine whether those invoices had been properly supported by billing reports. Additionally, invoices to support reimbursable expenses invoiced by the project engineer were not available for review.

In our opinion, the reconciliation of funds shown on page 2, presents fairly, in all material respects, the expenditures of the project covered under the Cost-Sharing Agreement, Contract #930126, dated October 1993. Detailed schedules of costs controlled by CCUSD and Del Webb are included in Attachments 4 and 5, respectively. A Statement of Cash Flows and related notes for the trust account are included with this report beginning on page 8.

Disallowed costs identified during this audit are addressed in Attachment 1 of this report. Resolution of these costs will need to occur prior to the distribution of the remaining funds. Any decision to allow an item as a cost of construction would necessitate a revision to the amount available for distribution by the participation percentages outlined in the insert on page 4, Distribution of Funds.

It should also be noted that one year remains under the APS line-extension agreement, which could potentially result in Del Webb's receiving a refund based on usage. The average refund, to date, credited to cost of

construction is \$470. Del Webb should agree to share any future refund with the other parties in the proportion used to allocate previous costs.

During the course of the audit, we did identify opportunities for the City of Scottsdale to improve control over future Cost-Sharing Agreements of this type. These opportunities are presented in Attachment 3 of this report.

This report is intended solely for the information of and use by management of the City of Scottsdale, Del Webb, and CCUSD, and should not be used for any other purpose. This restriction is not intended to limit distribution of this report, which is a matter of public record.

**Statement of Cash Flows
Sewer Trust Fund
11/30/93 through 3/31/99**

Funds In	
City of Scottsdale	\$ 904,759.00
Del Webb	245,365.00
CCUSD	369,759.00
CCUSD Credit	42,468.00
Time Receipt Account Interest	8,198.89
Trust through 12/31/95	29,287.74
Trust through 12/31/96	9,928.61
Trust through 12/31/97	10,106.25
Trust through 12/31/98	10,065.00
Trust through 03/31/99	<u>2,479.04</u>
	\$1,632,416.53
Use of Funds - Allowable Construction Costs (see Note 1, Page 9)	
	<u>(1,021,258.99)</u>
Excess Funds Over Allowed Costs	611,157.54
Use of Funds - Disallowed Costs Submitted by CCUSD (see Note 2, Page 10)	
	<u>(88,175.25)</u>
Remaining Funds Over Disbursements	\$ 522,982.29
Account Balance at 3/31/99	<u>\$ 522,982.29</u>

Sewer Trust Fund		
Note 1		
Use of Funds - Allowed Costs		
Expenses Prior To Agreement		
CPM - Pre-Step	\$ 3,830.00	
DMJM - Pre-Step	11,670.00	
Rick Engineering - Pre-Design Costs	<u>26,968.00</u>	
		\$ 42,468.00
Project Management Fees		
CPM - Project Management	\$ 55,340.00	
CPM - Printing	8,383.58	
CPM - Attorney Fees	2,500.00	
CPM - Bid Packages	<u>7,200.00</u>	
		73,423.58
Permits		
Water Meter - City of Scottsdale	\$ <u>1,435.00</u>	
		1,435.00
Tree Removal		
Desert Care	\$ <u>2,190.71</u>	
		2,190.71
Engineering		
REC-Off Site Utilities	\$ 10,502.62	
REC-Off Site Sewer	14,334.40	
REC-Add'l Off Site Sewer	33,240.00	
Reimbursables	1,833.34	
Agency Review Fees	<u>2,247.00</u>	
		62,157.36
Soils Testing & Inspection		
Speedie & Assoc - Off-sites	\$ 1,186.00	
Speedie & Assoc - Force Main	14,000.00	
Speedie & Assoc - Lift Station	<u>6,890.20</u>	
		22,076.20
Construction		
T.R. Jacks	\$359,438.64	
Hunter Construction	<u>439,422.58</u>	
		798,861.22
Legal		
Udall, Shumway - Contract development	\$ 8,155.99	
Udall, Shumway - Bid dispute	<u>7,685.14</u>	
		15,841.13
Service Charge through 3/31/99		
	\$ <u>2,805.79</u>	
		<u>2,805.79</u>
Allowed Costs		<u>\$1,021,258.99</u>

**Sewer Trust Fund
Note 2
Use of Funds - Disallowed Costs**

Desert Care	\$12,809.29	Unrelated Projects
D.L. Withers	57,468.00	Unrelated Projects
REC - 56 th Street Sewer	5,955.00	Related to Phase 3
REC - Off Site Sewer	4,030.00	Related to Phase 4
State Land Department	3,590.00	Detail indicates "Underground Water Permit"
CPM - Printing	1,838.36	Unrelated Projects
Discrepancy in Transfer	<u>2,484.60</u>	No Documentation
Total Disallowed Costs	<u><u>\$88,175.25</u></u>	

ATTACHMENT 1

Disallowed Costs Charged to the Trust Fund

This attachment details costs which we believe should be disallowed. There are two basic reasons for the recommendation: 1) documentation was provided but the scope of work indicated on the documentation does not appear to fall under the Cost-Sharing Agreement scope, or the allocation to the trust does not appear to be appropriate; and 2) documentation of the expense was not available.

CCUSD charged items to the trust account which, based on review of the documentation, appear to be inappropriate.

We recommend that the following items be disallowed.

\$12,809.29 of the \$15,000 reimbursed to CCUSD for the removal of native plant material. CCUSD incurred expenses totaling \$18,849.81 for the removal and storage of native plants from Dove Valley Road between 56th Street and 68th Street and on school district property. Of this amount, \$15,000 (80 percent of the total) was subsequently charged to the trust. CCUSD could not provide documentation of an agreed upon cost allocation method to substantiate the amount charged to the trust, other than the preliminary project budget.

Allocation of costs should be made based on the relationship of the work to the different projects which benefit from, or create the need for, the work. Using some other allocation method, such as available funds, has the potential to result in inappropriate costs being charged against projects which have restrictions on the use of funds. For example, during the review of documents submitted, it appears, based on the volume and location of plant material, approximately 85 percent of the material removed and stored came from the school district property, not the area of the sewer line installation. Using a method based on volume of material, not available budget, would have resulted in a minimum charge of \$16,022.34 (85 percent of \$18,849.81) to CCUSD instead of the \$3,849.81 (\$18,849.81 - \$15,000) originally charged.

Due to the fact that other CCUSD projects were underway in the area of the sewer line installation, we recommend an allocation based on the location and services performed for each of the specific invoices. The change in methodology would result in a charge to the trust in the amount of \$2,190.71, a reduction of \$12,809.29. The calculation would be as follows:

- ◆ Inv. #003544, dated 12/7/93, \$8,253.32 for removal of material on school district property considered a CCUSD expense.

- ◆ Remaining portion of that invoice, \$4,697.15 relating to nursery establishment, maintenance for November, 1993, and insurance costs allocated as follows: \$4,024.37 (85 percent of the total) considered a CCUSD expense. The remaining \$672.78 allocated one-third to the trust and two-thirds to CCUSD for an allocation of \$224.26 and \$448.52 respectively.
- ◆ Inv. #21126, dated 12/22/93 in the amount of \$5,899.34 for the removal of material on Dove Valley Road from 60th Street to 68th Street allocated one-third to the trust and two-thirds to CCUSD for an allocation of \$1,966.45 and \$3,932.89, respectively.

Payment from the trust to D.L. Withers Construction, Inc., in the amount of \$57,468. CCUSD used trust funds to pay a portion of a pay application to D.L. Withers Construction, Inc. for construction of Cave Creek High School. A letter from CPM was submitted with the pay application and outlined the disbursement from the trust, as well as other funding sources.

Three amounts, \$15,500, \$26,968, and \$15,000, were listed as justification of the use of trust funds as a funding source for the payment. These amounts appear to be the same as other expenses previously charged to the trust by CCUSD. Two amounts, \$15,500 and \$26,968, were used to reduce CCUSD's initial contribution to the trust, and \$15,000 matches the amount transferred from the trust for reimbursement of costs for native plant removal (see issue above).

There is no relationship between the work completed by D.L. Withers Construction, Inc., and the sewer improvements covered under the Cost-Sharing Agreement which would support the payment from the trust. CCUSD had previously been repaid the amounts listed on the justification. We recommend that the \$57,468 be disallowed.

Payments from the trust to REC for services related to the 56th Street Sewer. Trust funds were used to pay three invoices totaling \$5,955 for services which appear to be related to the 56th Street Sewer. According to the scope of the Cost-Sharing Agreement, costs associated with the 56th Street Sewer were not to be considered an appropriate cost of the construction covered by this agreement. Section 1, c., stated that the sewer installation along 56th Street was considered "Phase 3," and

costs associated with this construction were not to be included in the total costs to be shared. CCUSD was to construct, and pay for the costs of, the 56th Street Sewer. We recommend that the \$5,955 in costs be disallowed.

Payments from the trust to REC for services related to the 60th Street Sewer. CCUSD charged \$4,030 in fees paid to REC for services related to the 60th Street Sewer. These charges were included as a separate line item in a contract for "Off-Site Sewer." According to the scope of the Cost-Sharing Agreement, costs associated with the 60th Street Sewer were not to be considered an appropriate cost of the construction covered by this agreement. Section 1, d., stated that the sewer installation along 60th Street was considered "Phase 4," and costs associated with this construction were not to be included in the total costs to be shared. We recommend that the \$4,030 in costs be disallowed.

Reimbursement to CCUSD for the fees paid to the Arizona State Land Department for a permit. CCUSD included a payment in the amount of \$3,590 to the Arizona State Land Department in a reimbursement request from the trust. This payment was for the acquisition of a permit for work on State land, and appears to be related to waterline installation, not sewer lines. Documentation submitted by CCUSD included: 1) a letter from REC dated April 16, 1994, stating failure to obtain the permit would hold up the waterline work; 2) a letter from REC to the State Land Department regarding the existing waterline right-of-way and proposed amendment; 3) CCUSD purchase order which included as a description "for purposes of water line installation," and 4) CCUSD check stating "underground water permit."

While the Cost-Sharing Agreement provided for the cost of an easement along Dove Valley between 60th and 64th Street, and the amount requested for reimbursement equals the amount provided in the budget, there is no indication that this permit was necessary for the sewer line installation. We recommend that the \$3,590 in costs be disallowed.

Reimbursement to CCUSD for printing of construction documents in the amount of \$1,838.36. Three invoices submitted by CPM for reimbursement and charged to the trust appear to be for other projects not related to the Cost-Sharing Agreement.

CPM separately invoiced CCUSD for \$10,221.94 in costs incurred for printing. These charges were supported by invoices from Techniprint, the vendor providing the services. However, according to information

listed on the invoices, three of the charges were for unrelated projects. The following invoices should be disallowed:

#38874 in the amount of \$53.63 dated 11/28/93 - "Adjacent Ways"

#43285 in the amount of \$471.61 dated 12/29/93 - "Roadway 1-D, 1-G, and 1-H"

#41649 in the amount of \$1,313.12 dated 12/16/93 - CCUSD 1-D

Work related to the lift station and sewer were billed and identified under bid package 1-E and 1-F. We recommend that the costs totaling \$1,838.36 be disallowed.

CCUSD charged costs to the trust for which documentation was not available to support the charge. Unless CCUSD can provide acceptable documentation of the scope of work and payment of services, these costs should be disallowed.

Discrepancy in transfer of funds from the trust to CCUSD as reimbursement of expenses in the amount of \$2,484.60. In August 1994, CCUSD transferred \$750,879.44 from the trust as reimbursement for costs considered to be a trust expense. During the audit, CCUSD provided schedules and copies of invoices in support of the amount transferred. Of the total, \$2,484.60 was not supported.

The following is a summary of the amount transferred:

Transfer dated 8/10/94	<u>\$750,879.44</u>
Direct Payments by CCUSD	
CPM	\$ 58,961.94
Speedie & Associates	21,756.20
TR Jacks	317,761.78
Hunter Contracting	288,018.00
REC	43,306.92
State Land Department	3,590.00
Desert Care	15,000.00
Total payment by CCUSD	<u>\$(748,394.84)</u>
Discrepancy in amount transferred	<u>\$ 2,484.60</u>

We recommend that the \$2,484.60 be disallowed unless CCUSD can provide documentation to support the amount.

ATTACHMENT 2

Issues Relating to Internal Controls Over the Project Covered by the Cost-Sharing Agreement

To complete our audit of construction costs, we reviewed documentation such as schedules and invoices submitted by Del Webb and CCUSD as well as bank statements maintained by CCUSD. We evaluated the documentation as to its sufficiency and relevance to the project outlined in the agreement. We also reviewed a report prepared by an independent auditor hired by CCUSD to perform a special construction audit. During this review, we noted several issues relating to the management of construction costs of Phase 1 and the trust fund controlled by CCUSD.

The following are reportable conditions which involve significant deficiencies in the design or operation of the internal control structure that, in our judgement, adversely impacted the ability to determine the accuracy of allowable construction costs and the integrity of the trust fund.

- 1) CCUSD did not develop separate contracts or agreements with vendors which outlined scope of work, billing rates, or other appropriate information which could be used to monitor the costs charged to the trust. In lieu of separate contracts, services were billed in lump-sum contracts which included work on other CCUSD projects. Percentages of these invoices were then allocated to the trust. CCUSD could not provide documentation which outlined how the percentages were determined, nor could variances in percentages during the course of construction be explained. In addition, there is no indication that other parties to the agreement reviewed or approved of the methodology used to allocate these services.

Without contracts with sufficient information regarding work performed, or a documented methodology for allocation of joint services, an independent determination regarding the appropriateness of work performed and the amount charged to the Cost-Sharing Agreement cannot be made. For example, project management fees charged by CPM were billed each month under several broad categories. A percentage of one category, "Adjacent Ways Admin," was subsequently allocated to the trust. The total monthly charge under this category varied from \$10,900 to \$15,100 and the percentage charged to the trust varied from 20.7 percent to 41.4 percent. As a result, the monthly charge to the trust ranged from \$2,262 to \$6,257.

The use of joint contracts for a service also creates an issue in distinguishing between services performed under the joint contract, and services provided under other contracts. For example, CCUSD allocated the cost of engineering services which were billed by REC under a job description of "Off-Site Utilities" (PO #31289 - 1992 and #40298 - 1993), as well as charging the trust for services provided under a contract for "Additional Off-Site Sewer" (PO #40064 - 1993). Both contracts charged for services related to "Construction Documentation," "Bidding Phase," and "Construction Administration." CCUSD could not explain the difference in scope of work provided under these two contracts. Documentation of the scope of work related to either contract was not available. As a result, we could not determine whether the allocation of services was correct or appropriate. Additionally, we could not determine whether services provided under PO #40064 should be a cost entirely borne by the Cost-Sharing Agreement.

- 2) CCUSD did not document changes in scope of work or services performed, and submit those changes to the other parties for approval. The Cost-Sharing Agreement required change orders to be approved by both the CCUSD Governing Board as well as the City. While the independent auditor found that addendums to CPM's contract were approved by the Board and appeared to be legal, we found no indication that other parties to the agreement approved the increase in the costs.

CCUSD had a fiduciary responsibility to keep all parties to the agreement informed of changes in scope which would impact the costs associated with the agreement. As a result of agreements made by CCUSD, project management fees (exclusive of reimbursable expenses, attorney fees, and additional work) charged to the trust, totaled \$55,340, an increase of \$22,340 over the approved budget.

In addition to those costs, the trust also incurred more legal fees than were approved in the budget. These additional fees were the result of a bid dispute, which occurred after the award of one of the construction contracts. CCUSD agreed to pay an additional \$2,500 to CPM to cover legal fees, and paid \$7,685.14 to an outside legal firm. There is no indication that the other parties approved these additional fees. We believe that CCUSD should have obtained approval from other parties to the agreement

prior to using trust funds to pay for legal services related to a bid dispute. Without information regarding the process used to award the contract, it is difficult to determine whether or not CCUSD or its project manager undertook adequate steps to avoid incurring the costs.

- 3) Documentation maintained by CCUSD did not appear to be complete. Detailed billing reports and contracts were not available for review, and there was no indication that the invoices submitted by CPM were scrutinized by CCUSD management prior to processing the payment. We did not have access to the construction project manager or his records.

Reports prepared by CPM and maintained by CCUSD appear to be kept based on amounts committed, not actual expenditures. As a result, it was difficult to reconcile these reports to CCUSD records. As mentioned in Attachment 1, several costs appear to be allocated to the Cost-Sharing Agreement based on budget, not based on the relationship to the project.

Record-keeping is also a point in the auditor's report prepared in 1995. According to that report, CCUSD personnel were under the impression that CPM was responsible for official record-keeping, although this was not in the contract. The auditor stated that records and supporting documentation were difficult to retrieve, and written explanations for management decisions were not always prepared.

Due to the lack of information available during our audit, unless there were notations or other information which led us to believe that the invoice or payment did not relate to the trust or if CCUSD could not provide documentation, the cost was allowed. As a result, there is limited assurance that the costs of construction as reported by CCUSD for expenses such as project management, engineering services, and material testing were accurately allocated to the Cost-Sharing Agreement.

- 4) CCUSD did not follow the requirements outlined in the Cost-Sharing Agreement for the management of the trust. During the course of construction, CCUSD used other funds to pay vendors, and then requested reimbursement from the trust at various times. Section 4 and 5 of the agreement required CCUSD to make payments from the trust on a monthly basis, and submit monthly

reports which reflected the previous calendar month's bills. Monthly payments from the trust did not occur, nor is there an indication that the monthly reports were prepared and provided to the other parties.

CCUSD also "borrowed" an amount equal to the initial contribution from the trust in August 1994, for approximately two months. There is no indication that other parties to the agreement knew of or approved of this loan. "Borrowing" funds from a trust fund was an inappropriate step for CCUSD to take regardless of the limited time the funds were removed.

We do not believe it is necessary to charge CCUSD for any lost interest. The potential lost interest revenue is offset by several factors: 1) The short time the money was removed from the trust and the rate of interest applied to the account (2 percent), results in a potential reduction of less than \$1,000; 2) The loss is further offset by the fact that the service fee charged against the account decreased while the funds were removed, a savings of approximately \$200 in that time period; 3) Prior to the "loan," the school district had advanced funds to pay trust-related construction costs which, in effect, resulted in the trust earning more interest during the months prior to the loan.

- 5) CCUSD used trust fund monies to pay an invoice for services unrelated to the Cost-Sharing Agreement without adequately documenting or researching the disbursement schedule provided by the outside project manager. This issue was also raised in the *Special Construction Audit*. According to the report, the auditor found that the amount requested from the trust exceeded the amount approved in the Cost-Sharing Agreement by \$15,000.

We found that the amount requested exceeded the amount approved by \$57,468, not \$15,000. As mentioned in Attachment 1 regarding the payment to D.L. Withers Construction, Inc., CCUSD's project manager justified using trust funds as a funding source by listing amounts which needed to be repaid to CCUSD. One amount, the \$15,000 referenced in the auditor's report, appears to be the same amount submitted by CCUSD for costs related to plant removal, thereby creating a \$15,000 overpayment.

The other two amounts, \$15,500 and \$26,968, had previously been used to reduce CCUSD's initial contribution to the trust

fund and, as such, did not show in the schedule of construction costs audited by the previous auditor. However, using the amounts as justification for a payment request resulted in CCUSD receiving credit for the expenses twice, the reduction against the contribution and the use of funds to pay the D.L. Withers pay application.

Therefore, the entire \$57,468 was an inappropriate charge to the trust.

- 6) CCUSD charged the trust for expenses, which were incurred prior to the approval of the Cost-Sharing Agreement. While the Cost-Sharing Agreement is silent on the issue regarding previously expended amounts, it does specifically provide a credit for certain "direct expenses" incurred by CCUSD prior to the inception of the agreement. There is no discussion regarding the appropriateness of charging other expenses which pre-date the agreement, in addition to the credit already provided.

The Cost-Sharing Agreement did not include a schedule listing the vendors and amounts of payments used to arrive at the amount provided as a credit. During our audit, CCUSD could not provide schedules or documentation of the calculation of those "direct" expenses. Without this documentation, it is not possible to determine whether the expenses charged subsequent to the formation of the trust had been considered when the credit was calculated.

The expenses which pre-date the trust include: 1) payments to REC under a contract titled "Additional Off-Site Sewer" with charges prior to the date of the agreement totaling \$20,470. The first invoice, for \$17,506.60, outlined services provided in the month of June 1993, and contained handwritten notations "Adjacent Ways" and "DJM Consultants;" 2) \$2,247 in agency review fees billed in September 1993; 3) \$2,639.36 for services provided by REC in June and July 1993 and billed under a contract for "Off-Site Utilities;" 4) a payment to Speedie and Associates in the amount of \$1,186 invoiced in July 1993 with the description "Off-Sites" (the PO referenced on the invoice was created in 1992); and 5) \$6,786 for project management fees for the months of July, August, and September 1993.

- 7) CCUSD charged the trust for services which, according to the Cost-Sharing Agreement, were a cost of Phase 2. These charges included \$7,200 paid to CPM as “plan separation,” \$14,334.40 paid to REC for “plan separation,” and \$33,240 paid to REC for engineering work billed under “additional off-site sewer.” The Cost-Sharing Agreement contained a footnote that Del Webb was to pay the services upon presentation of invoices. Instead, CCUSD used trust funds without reimbursement from Del Webb. As a result, there is no indication that Del Webb had the opportunity to review the invoice or question the services performed.

Additionally, there is no indication that Del Webb was provided the opportunity to review the scope of services related to these costs. The contract for engineering services, in fact, was already in existence with a portion of services provided, invoiced, and paid prior to the inception of the Cost-Sharing Agreement. The second contract with REC for plan separation was developed after the Cost-Sharing Agreement and signed by CCUSD management. Documentation of the services provided by CPM consisted of one invoice for the \$7,200 provided in the agreement. In order for the managing party to have the ability to monitor services provided, Del Webb should have reviewed the existing contract, negotiated any additional services, and approved any contractual agreement.

In addition to these services, the Cost-Sharing Agreement required Del Webb to pay costs related to materials testing. CCUSD charged \$22,076.20 in services related to materials testing and inspection. There was no documentation available to determine whether or not any of these services related to Phase 2.

ATTACHMENT 3

Controls Over the Cost of Projects Undertaken Through Cost-Sharing Agreements Could be Improved

Controls over the cost of projects performed under a Cost-Sharing Agreement could be strengthened by requiring any contracts, in existence prior to the agreement, which are to be considered a cost under the agreement, to be submitted, reviewed, and approved by all parties. This review should also ensure that all legal requirements regarding the acquisition of services were followed.

In addition, these contracts should be reviewed to ensure that service providers are required to maintain separate billing records and submit invoices with sufficient detail. For any services which cannot be separately billed, all parties should agree in advance to an appropriate allocation methodology.

CCUSD was already under contract with several professional service vendors prior to the inception of the Cost-Sharing Agreement. Costs associated with these contracts were subsequently allocated as a cost of construction and charged to the trust. There is no indication that either Del Webb or the City reviewed these professional service contracts for appropriate scope of work, relevance to the project, terms regarding billing rates, and requirements for submission of billing documents. The Cost-Sharing Agreement did not require CCUSD to ensure that professional service providers maintained separate billing records when working on the project covered by the Cost-Sharing Agreement. Nor is there any indication that all parties were kept aware of, or approved of, any allocation methodology used by CCUSD to allocate the costs among the various projects underway.

Only one service provider, REC, was identified as already under contract with CCUSD to provide engineering services, such as shop drawings, clarification of plans, change order preparation, and other similar activities for projects covered under the Cost-Sharing Agreement. While the agreement states that REC was to allocate services based on the proportionate share of the project, this did not occur. Instead, CCUSD allocated costs between CCUSD projects and the trust. There is no indication that either the City or Del Webb reviewed the existing contractual arrangement for appropriateness or the methodology used to allocate costs.

Other services charged to the Cost-Sharing Agreement, such as project management and materials testing, were also provided under contracts in existence prior to the date of the agreement. These arrangements are not mentioned in the Cost-Sharing Agreement and, similarly, there is no

indication of a review by either the City or Del Webb. CCUSD management also entered into additional purchase orders with vendors previously under contract for services which were subsequently billed to the trust. There is no indication that these agreements for additional services were reviewed and approved by either the City or Del Webb.

In future agreements, controls over professional services such as these could be improved by ensuring that contracts contain appropriate scope of work, adequate detail regarding billing rates, and requirements for submission of detailed invoices, with detail such as date and type of service rendered, as well as the parties involved in meetings, and the nature of work conducted. Invoices subsequently presented for payment should be provided to all parties for review.

During our audit, we were unable to determine the scope of work, level of service performed, or the terms of contractual services. As such, we could not determine the appropriateness of the charges on invoices, or verify billing rates or services performed for any tasks which may have been billed on a time and materials basis.

Controls could be strengthened by requiring an adequate description of the types of costs which would be considered an appropriate cost of construction.

The scope of work should include specific details regarding timing of expenses, and sufficient detail to allow a final review of the costs.

While the Cost-Sharing Agreement provided for CCUSD to receive credit for expenses previously expended, it did not contain a schedule which listed the payments, dates of service, or vendors performing the service. Nor did it address the appropriateness of charging other costs which were incurred prior to the date of the agreement.

CCUSD received credit for these "previously incurred" costs in its initial contribution to the trust, but also requested reimbursement for other costs incurred prior to the date of the agreement after the trust was formed. During the final audit, CCUSD could not provide documentation, other than summary reports prepared by the CCUSD project manager, to support the amounts claimed as "previously expended." As such, there is no assurance that CCUSD actually incurred the costs. Also, there is no assurance that any of the costs submitted for reimbursement had not already been repaid through the reduction in contributions.

In the future, Cost-Sharing Agreements should include schedules with specific information regarding the types of costs, if any, which a party incurs prior to the agreement and, subsequently receives credit for. Specifically, the schedule of services previously performed and the related costs should be attached to the agreement, and all parties should agree that the services actually relate to the agreement. Invoices, and documentation of payments, should be provided for review and approval.

Additionally, the Cost-Sharing Agreement should document the understanding of all parties regarding other services performed prior to the date of the agreement and not specified in the attachment. Without specific reference to these other costs, they should not be considered a cost of construction. Both Del Webb and CCUSD charged the costs of services provided prior to the date of the agreement. Del Webb charged costs of a consultant and legal services provided in August and September, while CCUSD charged costs related to services such as project management, preliminary soil testing, engineering, and legal services.

Controls over costs could be strengthened by requiring sufficient detail of the scope of services considered "legal costs." Costs should be controlled by specifying billing rates and "not-to-exceed clauses." Future agreements should provide a mechanism for the City to charge the costs of in-house attorneys, who provide services related to the agreement.

Cost-Sharing Agreements should specify whether or not legal services necessary to draft the agreement, negotiate terms of the agreement, and other services required to obtain approval of the agreement, should be considered a cost of construction. All parties should agree on the types of services considered to fall under the category of "legal services." While the budget prepared and attached to the agreement provides for legal fees, the Cost-Sharing Agreement does not address the scope of those services, nor does it specifically address whether or not legal services necessary to negotiate, draft, and complete the agreement should be considered a cost to be shared by all the parties.

Both CCUSD and Del Webb charged the costs of legal services provided by outside legal counsel, and other consultants, to negotiate and draft the Cost-Sharing Agreement. For example, Del Webb included services paid to an outside consultant for negotiation services and issues relating to required participation in the project. Fees for this consultant prior to the development of the agreement, and through the month of October 1993, totaled \$4,492.50. As a result, costs incurred by Del Webb associated with negotiating and developing the agreement exceeded the "legal services" budget by \$4,604.86.

The City did not charge the project with the costs of services provided by its in-house legal staff for the same type of work. By leaving its cost out of the projection and cost reimbursement structure, the City effectively paid 100 percent of its costs incurred to negotiate and develop the contract, as well as a percent of legal advisors and consultants hired by the other parties.

If all parties believe that these costs should be shared, then controls regarding the costs should be outlined in the agreement. For example, the Cost-Sharing Agreement should discuss billing rates, "not to exceed" clauses, or other services. Services, which were performed prior to the

development of the agreement, should be included in schedules of previously incurred expenses. The agreement should contain a provision for the City to charge the cost of services provided by internal legal staff.

The inequity in the agreement provisions concerning legal services could be addressed by:

- 1) Not allowing legal costs related to contract negotiation and development to be part of the agreed upon costs.
- 2) City legal staff could keep track of the hours and tasks associated with the agreement in a form similar to that maintained by outside legal advisors, which could then be submitted for payment or credit against the City's contribution towards costs.

Controls over costs could be strengthened by requiring submission of monthly expenditure reports with sufficient detail to question the appropriateness of an expense.

While the Cost-Sharing Agreement provided for those parties managing the construction to provide monthly reports to all other parties for review and approval, there is no indication that this requirement was consistently adhered to. Additionally, there is no indication that the bidding process outlined in the agreement was actually followed.

Without adequate, timely reviews of expenses, there is limited assurance that issues regarding the appropriateness of expenses will be raised within a timeframe that allows an informed decision regarding the expense.

Controls over City funds could be strengthened by retaining possession of the funds and remitting funds as the project progresses.

The City placed almost \$1 million in a trust fund over which it had no signature authority or control. Because this fund earned a significantly lower interest rate than would be available through the pooled investment fund that the City participates in, the City also incurred a lower rate of return while the funds were committed. Also, because the amount on deposit exceeded the insured deposit limit, there was a monthly charge to purchase additional insurance that could have been avoided by submitting funds as required, instead of prior to award of contracts. The City could have maintained better control over the funds, earned more interest, and reduced the risk associated with placing the funds in an account controlled by a third party by 1) submitting monthly payments to the trust upon the presentation of expense reports, or 2) providing for funding to coincide with the monthly progress payment requests submitted by the construction contractors.

A provision which would have allowed the City to provide funding based on the presentation of expense reports provided by both Del Webb and CCUSD would have provided the City the opportunity to review and approve expenses in a timely manner as well as to maintain appropriate security over the funds.

ATTACHMENT 4

Schedule of Construction Costs Cave Creek Unified School District - Phase One

Costs Prior To Agreement

CPM	Unknown	\$ 3,830.00	Pre-Step Planning
DMJM	Unknown	11,670.00	Pre-Step Planning
Rick Engineering	Unknown	<u>26,968.00</u>	Pre-Design
Total Prior Costs		\$42,468.00	

Project Management

CPM	07/93	\$ 2,262.00	20.75% of Adjacent Ways
	08/93	2,262.00	20.75% of Adjacent Ways
	09/93	2,262.00	20.75% of Adjacent Ways
	10/93	4,427.00	34.32% of Adjacent Ways
	11/93	6,254.00	48.48% of Adjacent Ways
	12/93	6,254.00	48.48% of Adjacent Ways
	01/94	6,254.00	41.42% of Adjacent Ways
	02/94	6,254.00	41.42% of Adjacent Ways
	03/94	6,254.00	41.42% of Adjacent Ways
	04/94	6,257.00	41.42% of Adjacent Ways
	05/94	3,300.00	17.93% of Adjacent Ways
	06/94	<u>3,300.00</u>	25.58% of Adjacent Ways

Total Administration \$ 55,340.00

CPM	06/21/94	\$ 2,500.00	Legal Fees due to Bid Dispute
CPM	10/16/93	<u>\$ 7,200.00</u> (1)	Bid Separation Work

Total Legal Fees \$ 9,700.00

Reimbursable Costs	10/93	\$ 598.59	Lift Station BlueLines
	10/93	412.93	Sewer BlueLines
	10/93	2,496.95	Sewer & Lift Station Prints
	11/93	1,820.00	Sewer & Lift Station Prints
	12/93	545.08	Addendum Prints
	01/94	<u>2,510.03</u>	Sewer & Lift Station Prints

Total Reimbursable Costs \$ 8,383.58

Total Project Management \$73,423.58

Engineering Services

Rick Engineering Company
52% of contract for Off-Site
Utilities

07/26/93	\$ 2,011.36	Construction Documents
08/31/93	628.00	Construction Documents
11/18/93	898.56	Bidding Phase
12/15/93	600.00	Bidding Phase
01/24/94	97.00	Construction Administration
03/02/94	1,260.00	Construction Administration
03/14/94	2,906.00	Construction Administration
04/14/94	1,744.00	Construction Administration
07/11/94	357.70	Construction Administration

Total Off-Site Utilities \$ 10,502.62

Rick Engineering Company
additional Off-Site Sewer

06/25/93	\$ 2,610.00	Preliminary Design
06/25/93	4,390.00	Schematic Design
06/25/93	10,506.60	Construction Document
08/31/93	1,616.40	Construction Document
09/24/93	1,347.00	Construction Document
10/29/93	1,506.00	Bidding Phase
11/18/93	1,506.00	Bidding Phase
12/15/93	2,008.00	Bidding Phase
01/24/94	232.50	Construction Administration
03/02/94	2,867.50	Construction Administration
03/14/94	2,325.00	Construction Administration
04/14/94	1,162.50	Construction Administration
05/10/94	387.50	Construction Administration
06/10/94	387.50	Construction Administration
07/11/94	387.50	Construction Administration

Total Additional Off-Site Sewer \$ 33,240.00 (2)

Rick Engineering Company
Off-Site Sewer

11/18/93	\$ 1,870.00	Sewer Phasing Meeting Services
11/18/93	4,690.60	Sewer Phasing Design Services
11/18/93	748.60	Phased Sewer Bidding Services
12/15/93	306.00	Sewer Phasing Meeting Services
12/15/93	3,393.20	Sewer Phasing Design Services
12/15/93	788.00	Phased Sewer Bidding Services
01/24/94	408.00	Sewer Phasing Meeting Services
01/24/94	1,696.60	Sewer Phasing Design Services
01/24/94	433.40	Phased Sewer Bidding Services

Total Off-Site Sewer Reimbursable Costs \$ 14,334.40 (3)

08/27/93	\$ 713.00	Lift Station Review Fees
08/27/93	1,534.00	Sewer & Force Main Review Fees
03/02/94	1,797.34	Printing, Delivery
04/14/94	24.00	Printing, Delivery
01/23/95	12.00	Printing, Delivery

Total Reimbursable Costs \$ 4,080.34

Total Engineering Services \$ 62,157.36

Materials Testing & Inspection

Speedie & Associates

Off-Sites	07/30/93	\$ 1,186.00	No description of work
Off-Site	01/31/94	1,300.00	Engineering Inspection
Sewer/Force Main	02/28/94	800.00	Engineering Inspection
	03/31/94	2,901.00	Engineering Inspection
	04/31/94	8,999.00	Engineering Inspection

Total Speedie & Associates \$ 15,186.00

Lift Station #40522

09/30/93	\$ 2,701.20	No description of work
12/30/93	2,256.00	Engineering Inspection
01/31/94	1,388.00	Engineering Inspection
03/31/94	225.00	Engineering Inspection
06/27/94	320.00	Engineering Inspection

Total Lift Station #40522 \$ 6,890.20

Total Materials Testing & Inspection \$ 22,076.20

Native Plant Removal			
Desert Care Landscaping	12/22/93	\$ 2,190.71	Native Plant Removal
Total Plant Removal		\$ 2,190.71	
Legal Fees			
Udall, Shumway, etal	09/93	\$ 2,645.20	Work on Agreement
	10/93	5,333.30	Work on Agreement
	11/93	<u>177.49</u>	Agreement Revisions
Total Contract Development		\$ 8,155.99	
	04/94	\$ 7,402.70	Bid Dispute
	05/94	<u>282.44</u>	Bid Dispute
Total Bid Dispute		\$ 7,685.14	
Total Legal Fees		\$ 15,841.13	
Permits			
City of Scottsdale	12/01/94	\$ 1,390.00	Lift Station Meter
	11/23/94	<u>45.00</u>	Development Fee - Meter
Total Permits		\$ 1,435.00	
Construction Contractors			
Hunter Contracting	01/01/94 to 08/24/94	\$ 439,422.58	Lift Station
T.R. Jacks	01/01/94 to 10/30/94	<u>359,438.64</u>	Sewer & Force Main
Total Construction Contractors		\$ 798,861.22	
Service Charge		\$ 2,805.79	
Total Construction Costs - Phase One		<u>\$1,021,258.99</u>	

- (1) According to the Cost-Sharing Agreement, services provided by CCUSD's CPM related to plan separation work were to be paid by Del Webb as a cost of Phase 2.
- (2) This contract amount is the same as the amount budgeted for "Phase 2" under the category Engineering. According to the Cost-Sharing Agreement, Del Webb was to pay these invoices as a cost of Phase 2.
- (3) According to the Cost-Sharing Agreement, services related to plan separation were to be paid by Del Webb as a cost of Phase 2.

Attachment 5

Schedule of Construction Costs Del Webb Terravita - Phase Two

Consultants

JMI	08/30/93	\$ 150.00	Meeting with City
JMI	11/03/93	100.00	Write Legal Description
JMI	01/03/94	100.00	Revise Legal Description
Total JMI		\$ 350.00	
S/W Community	07/93	\$ 172.50	Re: Status of Agreement
S/W Community	08/93	57.50	Re: Sewer Agreement
S/W Community	09/93	3,285.00	Misc. Re: Sewer
S/W Community	10/93	977.50	Misc. Re: Sewer & Costs
Total S/W Community		\$ 4,492.50	
Total Consultants		\$4,842.50	

Engineering Services

Rick Engineering Company	12/93	\$ 2,050.70	Construction Staking
Rick Engineering Company	01/94	1,107.20	Construction Staking
Rick Engineering Company	02/94	503.20	Construction Staking
Total Engineering Services		\$3,661.10	

Utilities

DM Robinson	11/93	\$ 777.50	Utility Bring Up Route
DM Robinson	12/93	310.00	Review Design
DM Robinson	01/94	358.00	Review Final Design
Total DM Robinson		\$ 1,445.50	
APS	01/06/94	\$14,195.00	Refundable Advance
	01/06/94	203.17	Excess Footage
	1996	335.37	Facility Charge
	1997	(846.00)	Credit against Advance
	1998	(900.00)	Credit against Advance
Total APS		\$12,987.54	

Dove Valley Road Sewer Improvements Cost-Sharing Agreement
Revised City Auditor Report No. 9706

Overhead & Underground	01/20/94	\$ 14,249.94	Conduit & Pad-Lift Station
	02/28/94	<u>4,377.43</u>	Conduit & Pad-Lift Station
Total Overhead & Underground		\$ 18,627.37	
Total Utilities		\$ 33,060.41	
Geotechnical/Soils			
Construction Inspection	03/09/94	\$ 150.00	Materials Testing
Construction Inspection	07/14/94	<u>515.00</u>	Density Testing
Total Geotechnical/Soils		\$ 665.00	
Legal			
Earl, Curley & LaGarde	10/93	<u>\$ 10,112.48</u>	Agreement Preparation
Total Legal		\$ 10,112.48	
Permits			
City of Scottsdale	01/13/94	\$ 480.00	Water Meter Development Fee
City of Scottsdale	03/18/94	8,700.00	Water Meter at Lift Station
City of Scottsdale	04/20/94	17.55	Fence at Lift Station
City of Scottsdale	12/19/93	<u>\$ 3,212.27</u>	Right-Of-Way Encroachment
Total Permits		\$ 12,409.82	
Construction			
Poole & Associates	01/26/94	\$ 270.00	Pre-Grade Lift Station
Grimm Construction	2/15/94-6/30/94	382,891.00	Lift Station
Swengle Robbins	12/93-6/20/94	<u>112,835.54</u>	Sewer Line Installation
Total Construction Contractors		\$495,996.54	
Total Construction Costs - Phase 2		<u>\$560,747.85</u>	